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**MICHAEL J. PAHUTSKI**  
Counsel

**VIA OVERNIGHT MAIL**

January 28, 2004



Thomas Dorman  
Executive Director,  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: ULH&P's Response to Staff's Rehearing Data Request, First Set  
Case No. 2003-00252

Dear Mr. Dorman:

Enclosed please find an original and 12 copies of ULH&P's Response to Commission Staff's Rehearing Data Request, First Set for filing with the Commission in the above-referenced case number. Please file-stamp the extra copy and return it to me in the overnight envelope provided.

If you have any questions, please do not hesitate to contact me at (513) 287-3075.

Sincerely,

A handwritten signature in cursive script that reads "Michael J. Pahutski".

Michael J. Pahutski

MJP/mak

Cc: Elizabeth Blackford

Enclosures

8-11-10

10-11-10

12

**REHEARING-DR-01-001**

**REQUEST:**

1. Page 28 of the Commission's December 5, 2003 Order in this case states,

Based on the current freeze on ULH&P's retail electric rates, effective through December 31, 2006, many of the accounting or rate-making provisions included in the amendment to its application refer to its next general rate proceeding or contain the phrasing "on or after January 1, 2007." These same references and phrasing were in ULH&P's original application and in numerous of its responses to data requests.

Would ULH&P agree that the record in this case contained numerous references that could have led the Commission to conclude that ULH&P was anticipating that there would be a change in its electric base rates effective January 1, 2007? Explain the response in detail.

**RESPONSE:**

ULH&P would agree that such a conclusion is possible. ULH&P anticipated throughout this proceeding that, if the transfer of the Plants was approved by the Commission, and pursuant to the other necessary approvals, it would file for a change in its electric base rates to be effective as soon as possible after January 1, 2007, and still proposes to do so. However, circumstances beyond ULH&P's control could delay receipt of those additional approvals and therefore result in transfer of the Plants later than anticipated. The Company is not seeking an extension of the "target" date only for its convenience; rather, the Company is attempting to clarify its intentions and maintain flexibility with the test period in the next electric base rate case such that a full year of ownership and operation of the Plants is reflected.

**WITNESS RESPONSIBLE:** John P. Steffen



**REQUEST:**

2. On page 2 of its Application for Rehearing, ULH&P states, "In Order to file an application for a change in rates in the time period prescribed by the Commission, ULH&P may have to elect a test year beginning as early as September 30, 2004." In ULH&P's last gas base rate case, the Commission was critical of the 7 months that passed between the end of the proposed test period and the filing of its application. The Commission stated, "In future rate case applications where a historical test period is utilized, the Commission will expect a more current test period to be used." (Footnote 1: Case No. 2001-00092, Adjustment of Gas Rates of the Union Light, Heat and Power Company, final Order dated January 31, 2002 at 4.)
  - a. Explain in detail why ULH&P believes the test year in this future electric base rate case may have to begin as early as September 30, 2004.
  - b. Explain in detail how ULH&P's belief that the test year in this future electric base rate case may have to begin as early as September 30, 2004, consistent with the Commission's instruction to ULH&P in Case No. 2001-00092.

**RESPONSE:**

- a. In Case No. 2001-00092, ULH&P utilized a test year consisting of the twelve months ended September 30, 2000 and received an Order from the Commission dated January 31, 2002 for new rates to be effective for service rendered on and after that date. Admittedly, the Company delayed its application in that case due to the increase in natural gas prices occurring at the time, prompting the Commission to criticize ULH&P for the 7 months that passed between the end of the test period and the filing date of its application. After the filing, deficiencies in the filing were noted by the Commission and cured by ULH&P within approximately one month of the original filing date. Also, ULH&P requested additional time to respond to various data requests, which delayed the proceeding for several weeks. Although ULH&P does not expect these delays to reoccur, it used this illustrative schedule when preparing its rehearing request in this case. The Company generally uses a test period ending on a calendar quarter because quarterly financial information is reviewed by its independent auditors and other quarterly financial reports are routinely prepared. Filing delays, correcting deficiencies and other delays in the proceedings could cause the effective date of the new rates to be later than planned. For these reasons, the Company believes the test year in the next electric base rate case may have to begin as early as September 30, 2004. The Company was considering a "worst case scenario" when it said the September 30, 2005 test year may be required, and fully intends to be attentive to the Commission's desire for timely data in all future cases.

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**REHEARING-DR-01-002**  
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- b. ULH&P intends to comply with the Commission's instruction in Case No. 2001-00092 and use a test period that is more current than 7 months prior to the application date as used in that case. However, as stated in response to a. above, the Company was considering a "worst case scenario" when it said the test year in its next electric base rate case may have to begin as early as September 30, 2004.

**WITNESS RESPONSIBLE:** John P. Steffen



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**REHEARING-DR-01-003**

**REQUEST:**

3. Assume for purposes of this question the following scenario. ULH&P receives all the necessary regulatory approvals and completes the transaction by the end of 2004. It selects calendar year 2005 as the test year for the electric base rate case. ULH&P times the filing of its application in 2006 to provide, after the suspension period, for a January 1, 2007 effective date for new electric base rates.
  - a. Would this scenario address ULH&P's concerns that its test year reflect a full year of ownership and operation of the three generating facilities? Explain the response in detail.
  - b. If the regulatory approvals are received and the transaction is completed by the end of 2004, explain why this scenario would not be workable.

**RESPONSE:**

- a. ULH&P believes the assumptions set forth above would allow it to reflect a full test year of ownership and operation of the Plants in its electric base rate case. This is similar to the scenario the Company followed in preparing its original and amended applications in this proceeding and the numerous examples in its testimony, data responses, exhibits and schedules.
- b. This is the scenario for which ULH&P continues to plan. Assuming minimal problems and delays throughout the proceedings, this scenario would be workable to result in revised electric base rates effective approximately January 1, 2007.

**WITNESS RESPONSIBLE:** John P. Steffen



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**REHEARING-DR-01-004**

**REQUEST:**

4. Concerning the approvals ULH&P will be seeking from the Federal Energy Regulatory Commission ("FERC") and the Securities and Exchange Commission ("SEC"):
  - a. What is the current status of the FERC and SEC applications?
  - b. When does ULH&P anticipate filing the FERC and SEC applications?

**RESPONSE:**

- a. ULH&P is in the process of drafting and reviewing its FERC and SEC applications.
- b. ULH&P anticipates filing its applications with FERC in early February, 2004. It anticipates filing its application with the SEC shortly thereafter.

**WITNESS RESPONSIBLE:** Greg C. Ficke



**Rehearing Data Request Set No. 1**  
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**REHEARING-DR-01-005**

**REQUEST:**

5. On pages 18 through 20 of its December 5, 2003, Order in this case, the Commission discussed and approved ULH&P's proposal concerning the sharing of profits from off-system sales. If the Commission grants ULH&P's request on rehearing to delay the filing and effective dates for its next general electric base rate case, would this also result in a delay in implementing the sharing of off-system sales profits? Explain the response in detail.

**RESPONSE:**

Yes. This mechanism is tied to the Company's next electric base rate case and therefore a delay in the effective date of that case would also result in a delay in implementing the sharing of off-system sales profits, as well as any other changes in base rates and the fuel adjustment clause (both of which are anticipated to increase). As discussed in the responses to the previous data requests, ULH&P intends to have revised electric base rates and a fuel adjustment clause effective as soon as possible after January 1, 2007, including the sharing of profits from off-system sales.

**WITNESS RESPONSIBLE:** John P. Steffen